



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

**DEPARTMENT OF
TELECOMMUNICATIONS & ENERGY**

ONE SOUTH STATION

Boston, MA 02110
(617) 305-3500

JANE SWIFT
GOVERNOR

JENNIFER DAVIS CAREY
DIRECTOR OF CONSUMER
AFFAIRS
AND BUSINESS REGULATION

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SENT VIA E-MAIL

MEMORANDUM

TO: Bruce P. Beausejour, Esq.
Verizon Massachusetts

FROM: Marcella Hickey, Hearing Officer

DATE: October 4, 2002

RE: Third Set of Information Requests of the Department of Telecommunications and
Energy to Verizon Massachusetts

CC: Mary Cottrell, Secretary
Service List in D.T.E. 01-20

Investigation by the Department on its own Motion)
into the Appropriate Pricing, based upon Total Element)
Long-Run Incremental Costs, for Unbundled Network)
Elements and Combinations of Unbundled Network)
Elements, and the Appropriate Avoided Cost Discount)
for Verizon New England, Inc. d/b/a Verizon)
Massachusetts' Resale Services in the)
Commonwealth of Massachusetts.)

**THIRD SET OF INFORMATION REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
TO VERIZON NEW ENGLAND, INC. D/B/A VERIZON MASSACHUSETTS**

DTE-VZ 3-1 Re page 4, line 5, Verizon's response to Department RR-67-P, and Exh. VZ-37, Part G-9, Workpaper at 1:

Please express the maintenance/upgrade RTU cost (using RR-67-P for 2001 and Exh. VZ-37, Part G-9 for the other years) on a per-switch basis that is comparable to the \$1.88-million per switch identified for initial RTU costs.

DTE-VZ 3-2 Re page 5:

(a) In the year in which a switch is deployed and Verizon incurs one-time RTU fees associated with that initial switch deployment, does Verizon also incur RTU fees in that same year associated with the ongoing maintenance and upgrade of the switch software for that new switch? Please explain.

(b) Please explain in general terms the reason for the difference in costs shown on line 11 (e.g., differences in quality, capabilities, etc.)

(c) Refer also to Verizon's response to Department RR-67-P and Exh. VZ-37, Part G-9, Workpaper at 1. Please confirm that none of the expenses shown for the year 2001 in this response and for the previous years, in Part G-9, correspond with RTU fees associated with new switch deployment.

DTE-VZ 3-3 Re page 5, line 20:

(a) Please explain the relationship of the switching investment shown (corresponding with DTE-ordered inputs for switch discounts) to the investments shown in Part C of the TELRIC Study, workpaper Part C-2, Section 4, page 1 of 3, line 23, column C and workpaper Part C-2, Section 5, page 1 of 2, line 8, column "Total."

(b) Please identify the specific pages of Verizon's proposed TELRIC switching study to which the switching investment on the referenced line corresponds.

DTE-VZ 3-4 Re pages 2 through 6:

(a) How would Verizon propose to incorporate the one-time initial (new) RTU fees in its compliance cost study filing? In the response to this question, please provide any and all modified and expanded cost study pages and/or workpapers that would either replace and/or supplement the pages of Verizon's proposed switching cost study. Include any and all assumptions and workpapers that are necessary to explain the calculations. The purpose of this information request is to obtain illustrative cost study methodology and not to obtain the precise compliance data. Thus the response can indicate where illustrative data are being used.

(b) Has any regulatory body, within the last three years, approved Verizon's proposed "new" RTU fees? If the answer is in the affirmative, for the most recent such approval, provide a copy of the portion of Verizon's approved compliance cost study that corresponds with "new" RTU fees. If the response is in the negative, for the most recent proceeding, provide a copy of the portion of Verizon's proposed cost study that corresponds with such fees.

(c) Refer to the Department's September 24, 2002, Order Granting Verizon and AT&T Motions for Reconsideration, In Part, and Requesting Additional Evidence at 4-5:

Verizon also indicates that its estimated cost of \$1,880,663 per switch is "in addition to" the RTU costs set forth in Exh. VZ-37, Part G-9, at 1-3 (Verizon Motion at 13-14) (emphasis in original). In its testimony and supporting documentation, Verizon shall explain why it proposes to supplement the entirety of the RTU fees that are included in Part G-9, at 1-3; i.e., why the RTU fees that Verizon contends are necessary for new switches would not be in lieu of that portion of the RTU costs in its original cost study that corresponds to existing switches.

For the sake of simplicity the following question refers to Verizon's proposed cost study and does not reference Department-ordered modifications (e.g., 1999 spike and the use of more recent 2001 data provided in response to RR-DTE-67).

(1) Refer to Exh. VZ-37. In Part G-9, workpapers, Verizon examines costs for the 1999-2002 time frame, and based on the levelized discounted costs projected for this four-year time period, determines annual RTU/software costs for maintenance and upgrade of software of existing switches (workpaper, page 1, line 6). If one assumes instead 65%/35% new/existing switches, should the figure shown on line 6 be reduced by [65 percent times the amount shown on line six times 25 percent] to reflect the fact that in one of the four years of the study period, it is assumed that 65 percent of the new switches are deployed and thus would not seem to need to be upgraded or maintained?

(2) Alternatively, would it be methodologically appropriate, before computing the net present value of the projected RTU/software investment, to reduce the first year (1999) annual investment (line 1) by 65 percent and then to continue with the calculations as shown to reflect an assumption that 65 percent of the switches in the first year are new and thus would not seem to need to be upgraded or maintained until the second and subsequent years? Please explain fully.

DTE-VZ 3-5 Please refer to page 6:

(a) Please indicate and describe the RTU fee proposed by Verizon (relating to new switches) to the FCC in the Virginia Arbitration proceeding, and provide the same information relating to such proposal, if any, that Verizon provided to the FCC.

(b) Please provide a list of any and all UNE decisions issued by state PUCs in the last two years in which the PUC addressed the ratio of new/existing switch investment assumptions, and for each such proceeding: (1) identify the ratio directed by the PUC; (2) where Verizon sought recovery of RTU fees specifically associated with new switches ("new" RTU fees), indicate (a) the per-switch new RTU fee that Verizon proposed; (b) the per-switch new RTU fee approved by the PUC.

DTE-VZ 3-6 Re pages 11-12:

(a) Please reconcile the discussion regarding growth rates with the data provided in Exh. ATT-VZ 4-29-2S, Att.-P at 3.

DTE-VZ 3-7 Re page 12, lines 4 through 12:

(a) Please provide workpapers.

(b) Please confirm the results - 64.07 and 34.93 (i.e., one percent of the switches are unaccounted for).